

Message Text

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TAGS: EFIN, FR

SUBJECT: FOREIGN REGULATION OF BROKERS AND UNDERWRITERS
IN DOMESTIC MARKET

REF: A. STATE 79749; B. PARIS A-235

1. FRENCH LAWS AND REGULATIONS PROVIDE TWO DISABILITIES FOR AMERICAN AND OTHER FOREIGN BANKS AND BROKERS IN THE DOMESTIC SECURITIES MARKET. THESE ARE:

A. MEMBERS (SEAT-HOLDERS) OF THE PARIS AND OTHER FRENCH STOCK EXCHANGES MUST BE FRENCH CITIZENS. (OPENING OF NATIONAL STOCK EXCHANGES TO CITIZENS OF OTHER EC COUNTRIES HAS BEEN DISCUSSED AT BRUSSELS.)

B. DIRECT SOLICITATION OF CUSTOMERS, AT THEIR HOMES OR PLACES OF BUSINESS, IN PERSON OR BY TELEPHONE, IS LIMITED TO HOLDERS OF SECURITIES CANVASSER'S CARDS (CARTES DE DEMARCHAGE FINANCIER) WHO MUST BE FRENCH NATIONALS. 1972 LAW OPENS ELIGIBILITY TO NATIONALS OF OTHER COUNTRIES CAPABLE OF SUPPLYING EQUIVALENT OF FRENCH POLICE RECORD (CASIER JUDICIAIRE) WHICH ENTER INTO RECIPROCAL AGREEMENTS WITH FRANCE. INFORMATION ON ANY SUCH AGREEMENTS IN FORCE, IF ANY, WILL FOLLOW.

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2. THERE IS NOTHING IN FRENCH LAW TO PREVENT U.S. STOCKBROKERS, SEVERAL OF WHOM ARE REPRESENTED IN FRANCE, OR U.S. BRANCH BANKS, FROM OFFERING THE SAME CUSTOMER SERVICES PROVIDED BY FRENCH BANKS, WHICH ARE TRADITIONAL CHANNEL FOR SMALL INVESTMENTS INTO FRENCH STOCKMARKET. A NUMBER OF AMERICAN BANKS THEREFORE DO AN ACTIVE BUSINESS IN HANDLING FRENCH STOCKS FOR THEIR CLIENTS. LIKE THEIR FRENCH COUNTERPARTS, THEY PLACE THE ACTUAL STOCK ORDERS WITH FRENCH BROKERS. CUSTOMER OF COURSE PAYS COMMISSIONS BOTH TO BANK AND FRENCH BROKER. CARTE DE DEMARCHAGE IS REQUIRED OF INDIVIDUALS; A QUALIFIED FRENCHMAN COULD OF COURSE WORK FOR A FOREIGN BANK OR BROKERAGE HOUSE.

3. DESPITE ABSENCE LEGAL RESTRICTIONS, AMERICAN INVESTMENT BANKS IN FRANCE DO NOT SEEK MANAGEMENT OF BOND ISSUES ON FRENCH DOMESTIC MARKET, A FIELD RESERVED TO FRENCH BANKS, WHICH HAVE NEAR-MONOPOLY ON PLACING POWER IN FRENCH MARKET. THERE HAVE BEEN EXAMPLES OF PARTICIPATION IN SUCH ISSUES, HOWEVER.

4. IN GENERAL, LIMITATIONS ON AMERICAN BANKS' OPERATIONS IN FRANCE DERIVE MORE FROM U.S. LEGISLATION ON SEPARATION OF BANKING SERVICES THAN FROM FRENCH LAW. AS NOTED REF. B., EMBASSY FINDS NO EVIDENCE, OTHER THAN CITED PARA. L ABOVE, OF FRENCH LAWS, REGULATIONS OR ADMINISTRATIVE PRACTICES DISCRIMINATING AGAINST U.S. OR OTHER FOREIGN BANKS. IN CENTRALIZED FRANCE, THERE ARE NO STATE OR LOCAL REGULATIONS WHICH AFFECT THESE QUESTIONS.

5. LEGAL TEXTS AND OTHER PERTINENT DOCUMENTS ON FRENCH SECURITIES MARKETS HAVE BEEN PROVIDED UNDER COVER FOLLOWING AIRGRAMS:

PARIS A-180 - FEBRUARY 24, 1972

PARIS A-54 - JANUARY 18, 1972 (INCLUDES DISCUSSION
REFORMS OF 1971-72)

PARIS A-346 - MARCH 18, 1969

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